

**Report of the  
PUBLIC EMPLOYEE RETIREMENT  
ADMINISTRATION COMMISSION  
on the Examination of the  
Belmont  
Contributory Retirement System  
For the Three Year Period  
January 1, 1998 - December 31, 2000  
PERAC 00: 08-019-03**

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October 17, 2002

The Public Employee Retirement Administration Commission has completed an examination of the **Belmont** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **1998** to December 31, **2000**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Richard Ackerson and James Sweeney who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton  
Executive Director

## **Belmont Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

#### **1. Additional 2% contribution**

Over eight percent of active members deductions were reviewed to ascertain that correct rates were withheld, including the additional 2% deduction of regular compensation in excess of \$30,000 annually. Two members earning over \$30,000 annualized compensation did not have the additional 2% deducted. The retirement board reviews compensation annually and informs the treasurer to add the 2% when a member's compensation exceeds the limit based on the prior year's compensation.

#### **Recommendation**

PERAC regulation 840 CMR 8.03 states that 2% is to be withheld each payday for all retirement earnings in excess of \$576.92 per week, for members whose membership date is after 1/1/1979. The payroll system should be changed to comply with this regulation.

#### **Board Response**

This has been corrected

#### **2. Bonding of Persons Having Access to Retirement Board Funds**

The Belmont Retirement Board and employee are not covered by a Fiduciary/ Fidelity Bond.

#### **Recommendation**

The retirement Board must comply with PERAC regulation 840 CMR 17.01, which states that all Board members and retirement staff shall be bonded in an amount sufficient to provide reasonable protection against losses due to fraud and dishonesty and each shall be bonded for no less than 10% of the amount of the fund or \$500,000.

#### **Board Response**

The Board is covered under the Town's Liability Policy. We are in the process of securing Bonding for all who have access to Retirement Funds. We will notify you when it is secured.

#### **3. Minutes of Retirement Board Meetings**

Meeting minutes are typed on the front and back of each page, however; only the front of each page is pre-numbered.

#### **Recommendation**

The front and back of each page of the Minutes should be pre-numbered.

#### **Board Response**

Pages are now numbered on front and back.

## **Belmont Retirement System**

### **EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

#### **4. Travel Expenses**

A review of expenses showed that proper receipts are not furnished for all reimbursed travel expenses. On two occasions there were no receipts for airline tickets and on other occasions meal receipts were not provided.

##### **Recommendation**

Travel expenses should not be reimbursed without proper receipts.

##### **Board Response**

This has been addressed and corrected.

#### **5. Annual Statements**

The investment income page did not balance to the supplemental schedules. In some cases realized and unrealized gains/losses were not properly reported. They were being incorrectly recorded in regular investment income (interest/dividends).

##### **Recommendation**

The Board must ensure that all income is reported in the proper category and that it balances to the supporting schedules.

##### **Board Response**

Working with PERAC, this has been corrected.

# Belmont Retirement System

## STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1998  
AND ENDING DECEMBER 31, 2000**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>ASSETS</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Cash	\$4,057,043	\$480,481	\$457,223
Short Term Investments	189,117	1,090,769	230,655
Fixed Income Securities (at book value)	0	0	0
Equities	20,078,821	20,440,366	23,456,713
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	0	0	0
Pooled International Equity Funds	5,022,192	6,338,891	4,320,958
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	13,221,030	14,696,819	11,970,208
Pooled International Fixed Income Funds	4,834,391	4,726,020	0
Pooled Global Fixed Income Funds	0	0	3,999,542
Pooled Alternative Investment Funds	1,022,116	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	0	0	0
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	0
PRIT Core Fund	847,073	860,677	700,084
Interest Due and Accrued	15,974	13,554	6,631
Accounts Receivable	1,418,184	1,346,928	1,285,355
Accounts Payable	(53,668)	(52,681)	(65,932)
<b>TOTAL</b>	<b><u>\$50,652,273</u></b>	<b><u>\$49,941,824</u></b>	<b><u>\$46,361,436</u></b>
<b>FUND BALANCES</b>			
Annuity Savings Fund	\$12,420,157	\$11,729,683	\$11,265,781
Annuity Reserve Fund	5,797,339	5,483,461	5,085,496
Pension Fund	3,500,205	4,862,001	5,859,424
Military Service Fund	0	0	7,687
Expense Fund	0	0	0
Pension Reserve Fund	28,934,571	27,866,679	24,143,048
<b>TOTAL</b>	<b><u>\$50,652,273</u></b>	<b><u>\$49,941,824</u></b>	<b><u>\$46,361,436</u></b>

# Belmont Retirement System

## STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1998  
AND ENDING DECEMBER 31, 2000**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
<b>Beginning Balance (1998)</b>	\$10,578,219	\$4,997,401	\$6,854,002	\$7,286	\$0	\$17,596,910	<b>\$40,033,819</b>
Receipts	1,375,729	147,321	2,997,292	401	356,589	6,546,138	<b>11,423,470</b>
Interfund Transfers	(519,530)	519,530	0	0	0	0	<b>0</b>
Disbursements	(168,637)	(578,756)	(3,991,871)	0	(356,589)	0	<b>(5,095,853)</b>
<b>Ending Balance (1998)</b>	<b>11,265,781</b>	<b>5,085,496</b>	<b>5,859,424</b>	<b>7,687</b>	<b>0</b>	<b>24,143,048</b>	<b>46,361,436</b>
Receipts	1,439,045	148,744	3,130,665	443	321,487	3,723,478	<b>8,763,861</b>
Interfund Transfers	(844,701)	852,678	0	(8,130)	0	153	<b>0</b>
Disbursements	(130,441)	(603,457)	(4,128,088)	0	(321,487)	0	<b>(5,183,473)</b>
<b>Ending Balance (1999)</b>	<b>11,729,683</b>	<b>5,483,461</b>	<b>4,862,001</b>	<b>0</b>	<b>0</b>	<b>27,866,679</b>	<b>49,941,824</b>
Receipts	1,639,496	165,561	3,198,280	0	333,031	1,067,892	<b>6,404,259</b>
Interfund Transfers	(779,068)	779,068	0	0	0	0	<b>0</b>
Disbursements	(169,954)	(630,750)	(4,560,076)	0	(333,031)	(333,031)	<b>(6,026,841)</b>
<b>Ending Balance (2000)</b>	<b>\$12,420,157</b>	<b>\$5,797,339</b>	<b>\$3,500,205</b>	<b>\$0</b>	<b>\$0</b>	<b>\$28,601,540</b>	<b>\$50,319,242</b>

# Belmont Retirement System

## STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1998  
AND ENDING DECEMBER 31, 2000**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Annuity Savings Fund:</b>			
Members Deductions	\$1,197,894	\$1,110,287	\$1,022,205
Transfers from other Systems	193,130	58,307	44,913
Member Make Up Payments and Redeposits	10,183	27,719	61,511
Investment Income Credited to Member Accounts	238,289	242,731	247,099
<b>Sub Total</b>	<b><u>1,639,496</u></b>	<b><u>1,439,045</u></b>	<b><u>1,375,729</u></b>
<b>Annuity Reserve Fund:</b>			
Investment Income Credited Annuity Reserve Fund	<b><u>165,561</u></b>	<b><u>148,744</u></b>	<b><u>147,321</u></b>
<b>Pension Fund:</b>			
3 (8) (c) Reimbursements from Other Systems	53,581	52,922	56,584
Received from Commonwealth for COLA and Survivor Benefits	321,112	383,891	370,579
Pension Fund Appropriation	2,823,586	2,693,852	2,570,129
<b>Sub Total</b>	<b><u>3,198,280</u></b>	<b><u>3,130,665</u></b>	<b><u>2,997,292</u></b>
<b>Military Service Fund:</b>			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>0</u>	<u>443</u>	<u>401</u>
<b>Sub Total</b>	<b><u>0</u></b>	<b><u>443</u></b>	<b><u>401</u></b>
<b>Expense Fund:</b>			
Expense Fund Appropriation			
Investment Income Credited to Expense Fund	<u>333,031</u>	<u>321,487</u>	<u>356,589</u>
<b>Sub Total</b>	<b><u>333,031</u></b>	<b><u>321,487</u></b>	<b><u>356,589</u></b>
<b>Pension Reserve Fund:</b>			
Federal Grant Reimbursement	17,239	496	1,979
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,657	1,575	2,402
Excess Investment Income	<u>1,048,997</u>	<u>3,721,407</u>	<u>6,541,757</u>
<b>Sub Total</b>	<b><u>1,067,892</u></b>	<b><u>3,723,478</u></b>	<b><u>6,546,138</u></b>
<b>TOTAL RECEIPTS</b>	<b><u>\$6,404,259</u></b>	<b><u>\$8,763,861</u></b>	<b><u>\$11,423,470</u></b>



# Belmont Retirement System

## STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1998  
AND ENDING DECEMBER 31, 2000**

<b>FOR THE PERIOD ENDING DECEMBER 31,</b>			
<b>Annuity Savings Fund:</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Refunds to Members	\$75,484	\$90,019	\$89,599
Transfers to other Systems	<u>94,470</u>	<u>40,422</u>	<u>79,037</u>
<b>Sub Total</b>	<b><u>169,954</u></b>	<b><u>130,441</u></b>	<b><u>168,637</u></b>
<b>Annuity Reserve Fund:</b>			
Annuities Paid	630,750	575,349	551,737
Option B Refunds			27,020
<b>Sub Total</b>	<b><u>630,750</u></b>	<b><u>575,349</u></b>	<b><u>578,757</u></b>
<b>Pension Fund:</b>			
Pensions Paid			
Regular Pension Payments	3,245,304	2,905,597	2,797,845
Survivorship Payments	464,197	450,153	437,301
Ordinary Disability Payments	112,848	90,391	89,032
Accidental Disability Payments	569,802	495,545	488,130
Accidental Death Payments	62,950	61,258	73,253
Section 101 Benefits	13,375	12,811	6,245
3 (8) (c) Reimbursements to Other Systems	91,599	112,334	100,064
State Reimbursable COLA's Paid			
Chapter 389 Beneficiary Increase Paid			
<b>Sub Total</b>	<b><u>4,560,076</u></b>	<b><u>4,128,088</u></b>	<b><u>3,991,871</u></b>
<b>Military Service Fund:</b>			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expense Fund:</b>			
Board Member Stipend	15,000	15,000	15,000
Salaries	57,926	56,299	53,626
Legal Expenses	2,548	5,091	1,199
Medical Expenses	84	106	71
Travel Expenses	9,341	9,166	4,883
Administrative Expenses	28,052	21,478	23,767
Furniture and Equipment	1,451	0	940
Management Fees	173,128	171,348	209,891
Custodial Fees	20,500	20,500	35,213
Consultant Fees	<u>25,000</u>	<u>22,500</u>	<u>12,000</u>
<b>Sub Total</b>	<b><u>333,031</u></b>	<b><u>321,487</u></b>	<b><u>356,589</u></b>
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$5,693,810</u></b>	<b><u>\$5,155,365</u></b>	<b><u>\$5,095,853</u></b>

# Belmont Retirement System

## INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1998  
AND ENDING DECEMBER 31, 2000**

	<b>FOR THE PERIOD ENDING DECEMBER 31,</b>		
	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Investment Income Received From:</b>			
Cash	5122.26	1467.7	\$1,262
Short Term Investments	196,308	55,045	198,800
Fixed Income	0	0	996,770
Equities	227,016	226,161	204,301
Pooled or Mutual Funds	(13,605)	160,593	89,088
Commission Recapture			
<b>TOTAL INVESTMENT INCOME</b>	<b><u>414,841</u></b>	<b><u>443,267</u></b>	<b><u>1,490,222</u></b>
<b>Plus:</b>			
Increase in Amortization of Fixed Income Securities	0	1,736,074	1,879,528
Realized Gains	1,225,345	2,535,728	1,237,728
Unrealized Gains	4,889,932	6,035,310	7,681,448
Interest Due and Accrued on Fixed Income Securities - Current Year	15,974	13,554	6,631
<b>Sub Total</b>	<b><u>6,131,251</u></b>	<b><u>10,320,665</u></b>	<b><u>10,805,335</u></b>
<b>Less:</b>			
Decrease in Amortization of Fixed Income Securities	0	(1,142,028)	(671,929)
Paid Accrued Interest on Fixed Income Securities	0	0	(203,064)
Realized Loss	(1,141,461)	(2,009,278)	(1,036,809)
Unrealized Loss	(3,605,201)	(3,171,183)	(2,905,553)
Custodial Fees Paid			
Consultant Fees Paid			
Management Fees Paid			
Board Member Stipend			
Interest Due and Accrued on Fixed Income Securities - Prior Year	(13,554)	(6,631)	(185,034)
<b>Sub Total</b>	<b><u>(4,760,215)</u></b>	<b><u>(6,329,120)</u></b>	<b><u>(5,002,390)</u></b>
<b>NET INVESTMENT INCOME</b>	<b><u>1,785,877</u></b>	<b><u>4,434,812</u></b>	<b><u>7,293,167</u></b>
<b>Income Required:</b>			
Annuity Savings Fund	238,289	242,731	247,099
Annuity Reserve Fund	165,561	148,744	147,321
Military Service Fund	0	443	401
Expense Fund	333,031	321,487	356,589
<b>TOTAL INCOME REQUIRED</b>	<b><u>736,881</u></b>	<b><u>713,405</u></b>	<b><u>751,410</u></b>
Net Investment Income	<b><u>1,785,877</u></b>	<b><u>4,434,812</u></b>	<b><u>7,293,167</u></b>
Less: Total Income Required	<b><u>736,881</u></b>	<b><u>713,405</u></b>	<b><u>751,410</u></b>
<b>EXCESS INCOME TO THE PENSION RESERVE FUND</b>	<b><u>\$1,048,997</u></b>	<b><u>\$3,721,407</u></b>	<b><u>\$6,541,757</u></b>

## Belmont Retirement System

### STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$4,057,043	8.23%	100
Short Term	189,117	0.38%	100
Fixed Income		0.00%	40 - 80
Equities	20,078,821	40.75%	65
Pooled Short Term Funds		0.00%	
Pooled Domestic Equity Funds		0.00%	
Pooled International Equity Funds	5,022,192	10.19%	
Pooled Global Equity Funds		0.00%	
Pooled Domestic Fixed Income Funds	13,221,030	26.83%	
Pooled International Fixed Income Funds	4,834,391	9.81%	
Pooled Global Fixed Income Funds		0.00%	
Pooled Alternative Investment Funds	1,022,116	2.07%	
Pooled Real Estate Funds		0.00%	
Pooled Domestic Balanced Funds		0.00%	
Pooled International Balanced Funds		0.00%	
PRIT Cash Fund		0.00%	
PRIT Core Fund	<u>847,073</u>	<u>1.72%</u>	100
<b>GRAND TOTALS</b>	<b><u>\$49,271,783</u></b>	<b><u>100.00%</u></b>	

\* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2000**, the rate of return for the investments of the **Belmont** Retirement System was 3.70%. For the five year period ending December 31, **2000**, the rate of return for the investments of the **Belmont** Retirement System averaged 12.57%. For the 16-year period ending December 31, **2000**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Belmont** Retirement System was 11.59%.

# **Belmont Retirement System**

## **SUPPLEMENTARY INVESTMENT REGULATIONS**

### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

The **Belmont** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

March 4, 1987

- 20.03(1) Equity investments shall not exceed 65% of the total book value of the portfolio at the time of purchase.
- 20.03(2) At least 35% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.
- 20.04(6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States.

December 21, 1987

- 20.04(6) American Depository Receipts listed on a United States stock exchange or traded over the counter in the United States, provided that any such investments not exceed 5% of the total book value of equity investments.

December 20, 1991

- 16.02(3) The board may incur expenses for investment advice or management of the funds of the system by a qualified investment manager and the board may incur expenses for consulting services. Such expenses may be charged against earned income from investments provided that the total of such expenses shall not exceed in any one year:
  - (a) 1% of the value of the fund for the first \$5 million; and
  - (b) 0.5% of the value of the fund in excess of \$5 million.
- 16.02(4) The board may employ a custodian bank and may charge such expenses against earned income from investments provided that such expenses shall not exceed in any one-year .08% of the value of the fund.

July 29, 1992

- 18.02(4) *Rate of Return.* A statement of the rate of return objective for the entire portfolio which shall be a real rate of return (after inflation) of at least 4% per year.
- 18.02(5) *Risk.* Total portfolio risk exposure should reasonably be centered in the midrange (25th to 75th percentile) of comparable Public Funds. Risk-adjusted returns are expected to consistently rank in the top half of comparable Public Funds.

November 19, 1992

- 20.03(4) International equity and fixed income investments shall not exceed 15% of the total portfolio valued at market.
- 20.04(6) Foreign corporations and obligations issued and guaranteed by foreign governments.
- 20.07(5) Equity investments shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States or traded in foreign stock markets.

## **Belmont Retirement System**

### **SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

October 26, 1995

20.03(4) International equity and fixed income investments shall not exceed 20% of the total portfolio valued at market.

November 2, 1995

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

- (a) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio by an investment advisor registered under the Investment Advisors Act of 1940 and who has been granted a waiver from PERA for international investments.
- (b) Currency Futures, Calls and Forward Contracts may be written against securities in the international portfolio to a maximum of fifty percent (50%) of the international portfolio's non-dollar holdings at market value. Speculative currency positions unrelated to underlying portfolio holdings are strictly prohibited.

October 10, 1996

840 CMR 21.00: Prohibited Investments

(3) Futures Contracts other than as follows:

- (c) Futures and options may be employed in the System's commingled international equity and global bond funds in the following two circumstances:
  - 1) Create a synthetic position in an asset class with the goal of replicating the risk/return profile of that asset class, provided that the guidelines for the investment manager allow for such exposures to be created with the underlying assets themselves.
  - 2) Tactically change the exposure of the portfolio to the countries in the investment universe in a prompt and efficient manner.
- (d) Any use of other derivative contracts or derivative securities not specifically mentioned herein is prohibited. As emphasis, it is noted that the following two uses of derivatives are prohibited:
  - 1) Leverage. Derivatives shall not be used to magnify exposure to an asset, asset class, interest rate, or other financial variable beyond that which would be allowed by a portfolio's investment guidelines if derivatives were not used, or otherwise leverage the portfolio in any other way.
  - 2) Speculation. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable, unless such exposures would be allowed by a portfolio's investment guidelines if created with non-derivative securities.

# **Belmont Retirement System**

## **NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

### **NOTE 1 - THE SYSTEM**

The plan is a contributory defined benefit plan covering all **Belmont** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

## **Belmont Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

#### **NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

## **Belmont Retirement System**

### **NOTES TO FINANCIAL STATEMENTS (Continued)**

#### **FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

#### **NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS**

The **Belmont** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on December 27, 1984:

Pursuant to the provisions of Chapter 32 section 3(2)(d) in all cases involving part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service of any employee of the Town, no person holding a position requiring less than 15 hours of regular employment each week for less than 52 weeks of any calendar year shall be eligible for membership, and the Retirement Board shall have full jurisdiction to make such determination as to eligibility.





# Belmont Retirement System

## NOTES TO FINANCIAL STATEMENTS (Continued)

### FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000

#### NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Buck Consultants** as of **January 1, 2000**.

The actuarial liability for active members was	\$30,758,577
The actuarial liability for inactive members was	201,899
The actuarial liability for retired members was	<u>39,929,595</u>
The total actuarial liability was	<b>70,890,071</b>
System assets as of that date were	49,941,824
The unfunded actuarial liability was	<u><b>\$20,948,247</b></u>
The ratio of system's assets to total actuarial liability was	70.4%

The normal cost for employees on that date was 7.30% of payroll

The normal cost for the employer was 6.50% of payroll

The principal actuarial assumptions used in the valuation are as follows:

**Investment Return:** 8.50% per annum

**Rate of Salary Increase:** 5.50% per annum

#### GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2000

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2000	\$49,941,824	\$70,890,071	\$20,948,247	70.4%	\$13,140,025	159.42%
1/1/1999	\$46,910,065	\$68,181,894	\$21,271,829	68.8%	\$13,226,220	160.83%
1/1/1998	\$40,838,623	\$64,600,786	\$23,762,163	63.2%	\$12,376,338	192.00%
1/1/1997	\$36,210,658	\$60,886,519	\$24,675,861	59.5%	\$12,450,529	198.19%
1/1/1995	\$26,942,535	\$49,398,926	\$22,456,391	54.5%	\$10,906,969	205.89%

## Belmont Retirement System

### NOTES TO FINANCIAL STATEMENTS (Continued)

**FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2000**

#### NOTE 6 - MEMBERSHIP EXHIBIT

<b>Retirement in Past Years</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Superannuation	11	13	9	25	5	8	9	12	18	10
Ordinary Disability	0	0	1	2	0	2	0	0	0	1
Accidental Disability	1	0	0	4	1	0	2	1	1	5
<b>Total Retirements</b>	<b>12</b>	<b>13</b>	<b>10</b>	<b>31</b>	<b>6</b>	<b>10</b>	<b>11</b>	<b>13</b>	<b>19</b>	<b>16</b>
Total Retirees, Beneficiaries and Survivors	297	294	294	314	304	302	302	304	309	314
<b>Total Active Members</b>	<b>414</b>	<b>426</b>	<b>394</b>	<b>386</b>	<b>381</b>	<b>394</b>	<b>394</b>	<b>432</b>	<b>451</b>	<b>430</b>
<b>Pension Payments</b>										
Superannuation	\$1,680,110	\$1,840,801	\$1,993,887	\$2,242,088	\$2,560,667	\$2,536,165	\$2,815,551	\$2,797,845	\$2,905,597	\$3,245,304
Survivor/Beneficiary Payments	80,957	84,729	84,729	85,871	227,238	225,645	412,586	437,301	450,153	464,197
Ordinary Disability	463,197	458,222	455,370	597,754	84,416	104,633	88,015	89,032	90,391	112,848
Accidental Disability	208,664	225,770	215,052	204,615	465,525	487,171	498,196	488,130	495,545	569,802
Other	<u>177,885</u>	<u>242,832</u>	<u>227,381</u>	<u>251,884</u>	<u>253,452</u>	<u>247,018</u>	<u>166,285</u>	<u>179,562</u>	<u>186,402</u>	<u>167,924</u>
<b>Total Payments for Year</b>	<b><u>\$2,610,813</u></b>	<b><u>\$2,852,354</u></b>	<b><u>\$2,976,419</u></b>	<b><u>\$3,382,212</u></b>	<b><u>\$3,591,298</u></b>	<b><u>\$3,600,632</u></b>	<b><u>\$3,980,633</u></b>	<b><u>\$3,991,871</u></b>	<b><u>\$4,128,088</u></b>	<b><u>\$4,560,076</u></b>